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C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 000499

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TAGS: [ECON](#) [EAID](#) [EFIN](#) [PREL](#) [PGOV](#) [PARM](#) [MNUC](#) [LE](#)
SUBJECT: LEBANON: MEA CHAIRMAN FEARS AIRPORT COULD FALL INTO
WRONG HANDS

Classified By: CDA Michele J. Sison for reasons 1.4 (b) and (e).

SUMMARY

1. (C) The GOL is bidding out the operations and maintenance contract at Beirut International Airport (BIA). The chairman of national carrier Middle East Airlines (MEA), which also owns the company that currently has the operations and maintenance contract, says that the Kuwaiti Khurafi group could win the bid by making an offer below their costs. As a result, he argues, the GOL would lose effective control over BIA operations. He argues that MEA's subsidiary, MEAS, should retain this contract to assure that BIA is operational at all times. Hout criticized PM Siniora for missing the national security considerations while grasping at economic benefits, accusing him of acting as an accountant and not as a statesman. End summary.

AIRPORT SHOULD BE IMMUNE
FROM POLITICAL INFLUENCE

2. (C) On April 2, the chairman of Lebanon's national airline Middle East Airlines (MEA), Mohammad Hout, shared with Econ officers his concerns about a GOL decision to call for bids for the operations and maintenance (O&M) of Beirut International Airport (BIA). MEA's subsidiary, MEAS (Middle East Airport Services) has had this contract for nearly ten years and has continuously provided BIA services at all times, even when opposition-led demonstrations blocked access to BIA, Hout remarked. For that reason, it is vital that MEAS retains this contract to ensure that BIA will stay immune from political influences, he argued.

KUWAITI GROUP
ONLY OTHER BIDDER

3. (C) Hout said that GOL's Council for Development and Reconstruction (CDR) called about six weeks ago for a five-year bid for the O&M at BIA, and the bid deadline is April 22. Besides MEAS, there is only one other bidder for this project, Kuwaiti Khurafi group, and Hout fears that this wealthy group would bid at below cost to win the contract. Hout said he is willing to give up 8 percent on this contract to keep it, but fears that the PM would be tempted by much lower costs. Siniora is thinking of economic

benefits at the expense of political considerations, Hout complained. Hout is suspicious of the Khurafi group, which has bid on all aspects of the job, from baggage handling to luggage carts to cleaning. If these people decide to go on strike for any reason, they will be able to paralyze BIA activities, he argued. Hout also mentioned that the Khurafi group worked on plans for the reconstruction of the Hizballah stronghold in Dahiya, in Beirut,s southern suburbs, and is allegedly a supporter of Hizballah SYG Nasrallah.

CABINET DECIDED TO BID
THIS PROJECT LAST YEAR

14. (C) Hout does not understand the timing for bidding this project, and why Siniora cabinet approved in the first place the idea of opening for bids such a vital operation. The Cabinet approved bidding this project about a year ago based on a request for Acting Transport Minister Mohammad Safadi. The Khurafi group was also awarded a three-year O&M contract for the government-owned Lebanese University without any bid.

PM THINKING
LIKE AN ACCOUNTANT

15. (C) Hout said the PM Siniora is thinking as an accountant and not as a statesman. It is important for this government to show that BIA is not affected by political developments, but is open for all, Hout argued. This is why the late PM Rafiq Hariri gave the O&M contract to MEA about ten years ago, Hout said. That contract has been annually renewed in the last few years; it expired at the end of December 2007, and MEA has continued to serve BIA despite GOL arrears of

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about \$10-12 million, Hout said. Hout told us he raised this issue with the leader of the largest parliamentary bloc, MP Saad Hariri, who was surprised by Siniora,s attitude.

COMMENT

16. (C) Two ministers we spoke to recently, Tarik Mitri and Charles Rizk, did not recall the cabinet taking action to approve the airport services be put out to bid. However, that may be understandable since the cabinet has been asked to act on hundreds of matters in recent months, with the number increasing as the cabinet took on the powers of the presidency while that position remains vacant. End comment.

SISON